8-15-2015

2015-2016 Land Management, Relations, and Alternative Cash Lease Provisions Participant Manual

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2015-2016 Land Management, Communications, and Alternative Lease Provisions

Brought to you by:

Extension is a Division of the Institute of Agriculture and Natural Resources at the University of Nebraska–Lincoln cooperating with the Counties and the United States Department of Agriculture.

Nebraska Farm Real Estate Land Values and Rental Rates 2015

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Northeast Research and Extension Center

Presented by:
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Disclaimer

- Land values and rental rates shown and discussed in this presentation are an excerpts from the UNL Nebraska Farm Real Estate Market Survey and USDA-NASS Cash Rent Survey.
- Land values and rental rates presented in this presentation are averages these surveys. Actual land values and rental rates may vary depending upon the quality of the parcel and local market for an area.

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Nebraska 2015 Land Market Presentation Overview

- Nebraska Land Values
  - Average values and quality ranges
- Nebraska Cash Rental Rates
  - Average values, quality ranges, and rental rate maps
- Agricultural Farmland Leases
  - Lease Arrangement Trends
  - Setting Cash Rental Rates

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Nebraska Farm Real Estate Survey

- Annual survey conducted since 1978 of Nebraska agricultural appraisers, professional farm managers, and bankers engaged in the land industry.
  - Preliminary results for land values and rental rates published the second week of March.
  - Full report published the following June.
- Nebraska Farm Real Estate website full access to these resources: http://agecon.unl.edu/realestate

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Nebraska Agricultural Statistics Districts

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Nebraska Land Values

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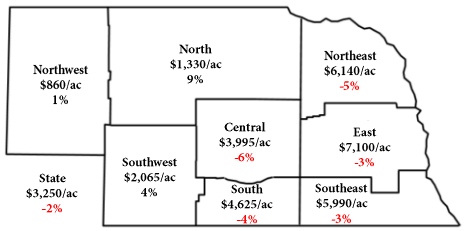
Land Averages and Annual Percent Changes

Nebraska Agricultural Average All Land Values – Feb. 1, 2015



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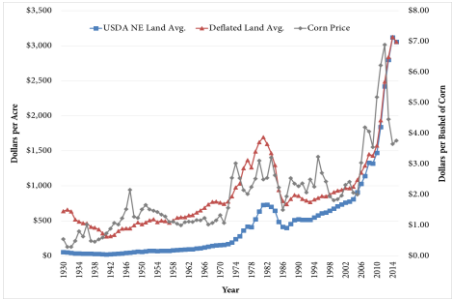
Historical Nebraska Land Value & Corn Price - 1930-2015



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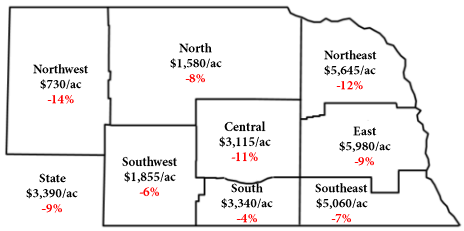
Dryland Cropland (No Irrigation Potential) Average Value – Feb. 1, 2015



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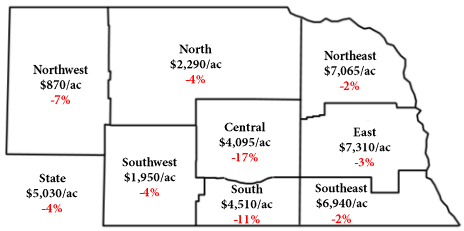
Dryland Cropland (Irrigation Potential)
Average Value – Feb. 1, 2015



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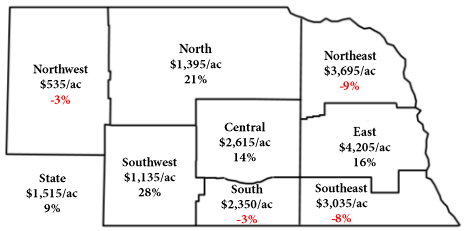
Grazing Land (Tillable)
Average Value – Feb. 1, 2015



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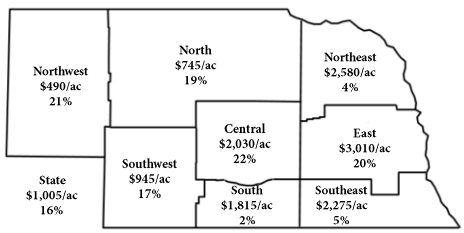
Grazing Land (Nontillable)
Average Value – Feb. 1, 2015



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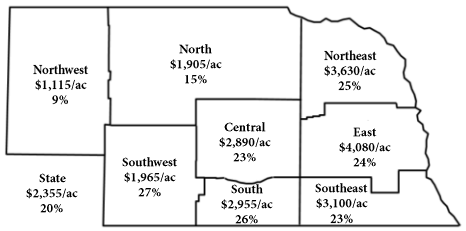
Hayland
Average Value – Feb. 1, 2015



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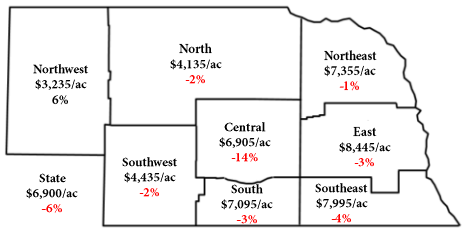
Gravity Irrigated Cropland
Average Value – Feb. 1, 2015



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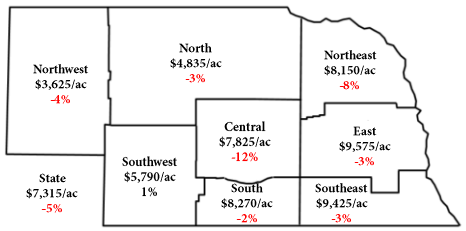
Center Pivot Irrigated Cropland
Average Value – Feb. 1, 2015



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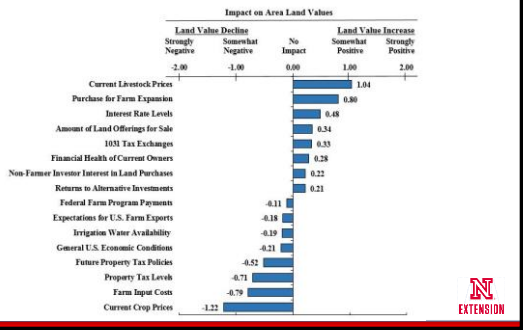
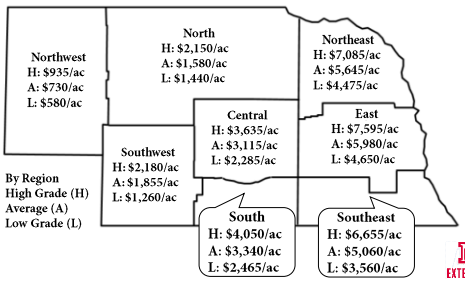
Rating of Factors Influencing Agricultural Land Values in 2015



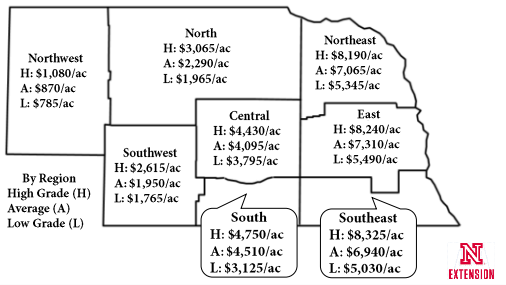
Nebraska Land Values

Average Land Quality and Grade Ranges

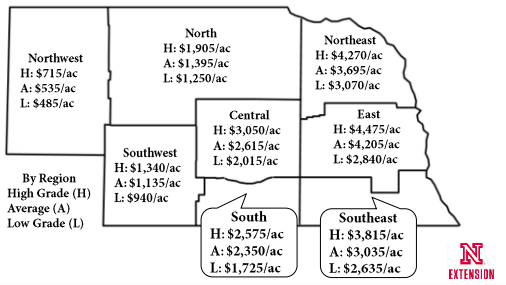
Dryland Cropland (No Irrigation Potential) Average Quality Range – Feb. 1, 2015



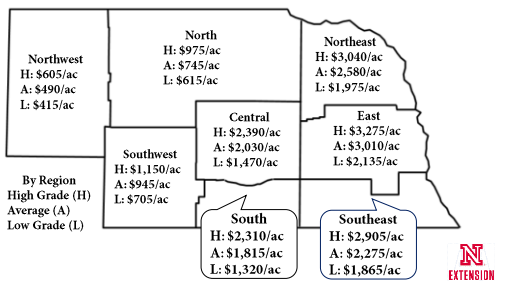
Dryland Cropland (Irrigation Potential)
Average Quality Range – Feb. 1, 2015



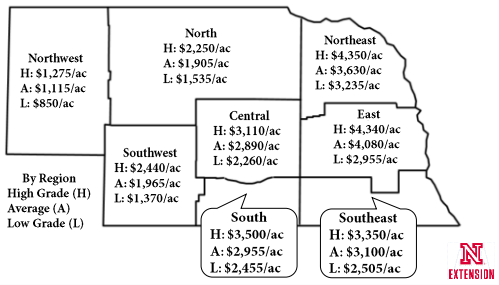
Grazing Land (Tillable)
Average Quality Range – Feb. 1, 2015



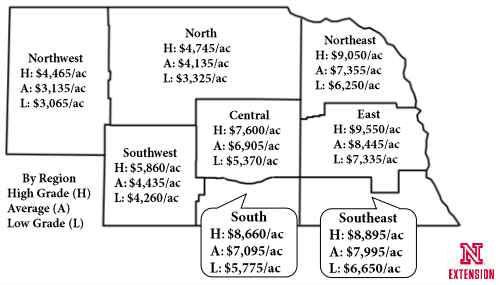
Grazing Land (Nontillable)
Average Quality Range– Feb. 1, 2015



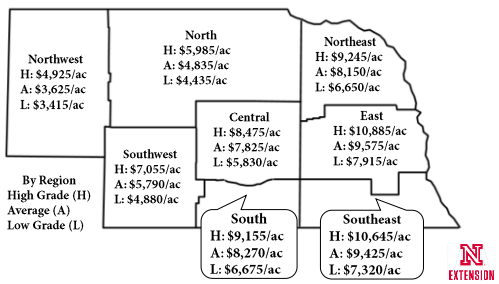
Hayland
Average Quality Range – Feb. 1, 2015



Gravity Irrigated Cropland
Average Quality Range – Feb. 1, 2015



Center Pivot Irrigated Cropland
Average Quality Range – Feb. 1, 2015



Nebraska Cash Rental Rates

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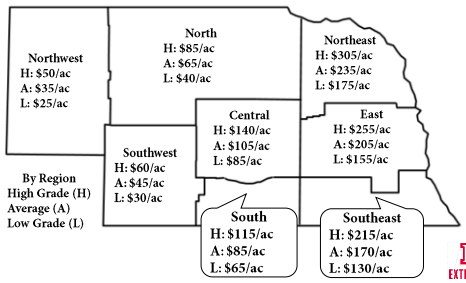
Dryland Cropland Rental Rates

Dryland Cropland Rental Rates – 2015 Season (Nebraska Farm Real Estate Survey)



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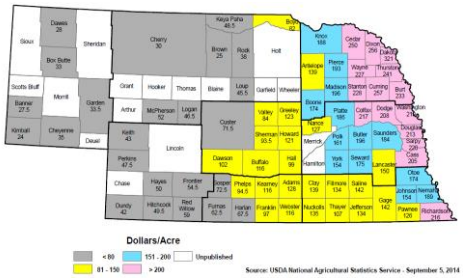
Dryland Cropland Rental Rates – 2014 Season (USDA-NASS Survey – Sept. 5, 2014)



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Nebraska Cash Rental Rates

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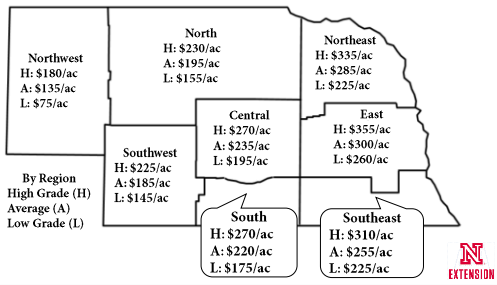
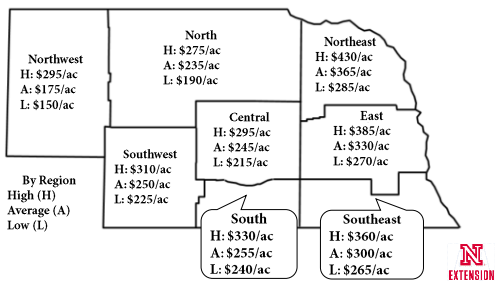
Irrigated Cropland Rental Rates

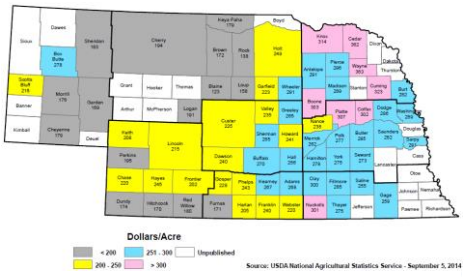
Gravity Irrigated Cropland Rental Rates – 2015 Season (Nebraska Farm Real Estate Survey)



Center Pivot Irrigated Cropland Rental Rates – 2015 Season (Nebraska Farm Real Estate Survey)



Irrigated Cropland Rental Rates – 2014 Season (USDA-NASS Survey – Sept. 5, 2014)



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Nebraska Farm Real Estate Survey & USDA–NASS Rental Rate Survey

- NASS and UNL numbers are 98.1% correlated.
- UNL averages $32 higher than NASS over a 2-year period (2013-2014).
- UNL numbers show a more dramatic decrease in rental rates than NASS.
- Demonstrates differences in data collection, respondents, timing, or other different procedures.
- No one number is "more correct", but represent averages of survey data.

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Nebraska Cash Rental Rates

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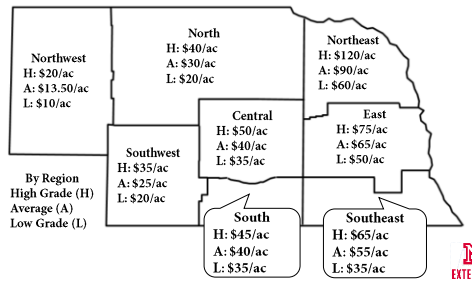
Pasture, Cow-Calf Pairs, and Stocker Rental Rates

Pasture per Acre Rental Rates – 2015 Season (Nebraska Farm Real Estate Survey)



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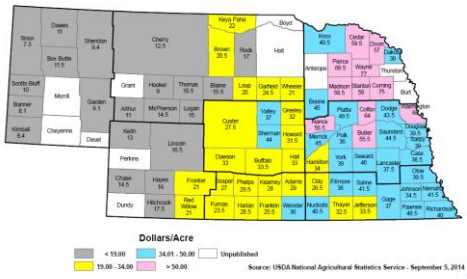
Pasture per Acre Rental Rates – 2014 Season (USDA-NASS Survey – Sept. 5, 2014)



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Nebraska Agricultural Quality Averages Cow-Calf Pairs Rental – 2015 Season (Nebraska Farm Real Estate Survey)

Type	Agricultural Statistics District							
	Northwest	North	Northeast	Central	East	Southwest	South	Southeast
	Dollars Per Month							
Cow-Calf Pair Rental Rates:**								
Average.....	40.90	65.55	62.05	64.10	64.55	60.70	57.50	58.90
High.....	53.60	83.35	81.00	78.15	79.80	75.00	66.50	68.25
Low.....	35.00	53.90	45.50	56.75	50.95	52.15	48.25	46.25
Stocker (500-600 lb.) Rates:								
Average.....	28.20	41.75	41.50	38.15	43.25	48.00	38.95	45.25
High.....	38.65	52.20	50.35	47.95	52.35	54.75	47.90	50.50
Low.....	25.15	32.55	33.00	29.95	36.45	39.25	37.60	32.15

**A cow-calf pair is typically considered to be 1.25 to 1.30 animal units (animal unit being 1,000 lb. animal). However, this can vary depending on weight of cow and age of calf.

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Agricultural Farmland Leases

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Lease Arrangement Trends

Nebraska Farm Real Estate Survey

- Special Feature 2015
  - Land Lease Arrangements of 2015 Rental Transactions by Region
  - Determinants of Flexible Cropland Lease Provisions in Nebraska
  - Lease Provisions for Existing Farm Grain Storage as Part of Cropland Rental Arrangements in Nebraska

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Types of Cropland Leases

- **Crop Share**: landowner receives percentage of actual crop yield as payment for leasing the agricultural land to tenant. Landowner may share input and production costs of raising the crop.
- **Cash Lease:** landowner receives an agreed upon cash payment amount for leasing the agricultural land to the tenant.
- **Flex Lease:** landowner and tenant set a base cash rental rate which can flex upon actual crop yields, prices, or a combination of the two.

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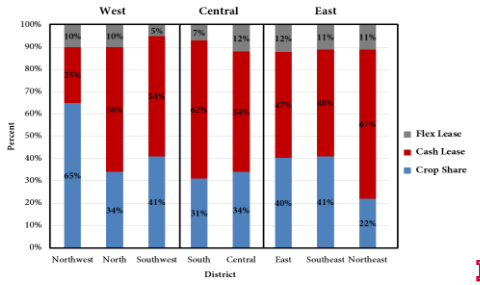
Land Lease Arrangements of 2015 Rental Transactions by Region



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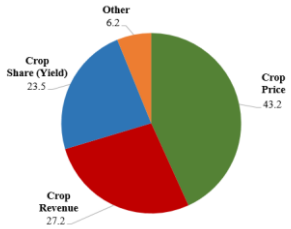
Determinants of Flexible Cropland Lease Provisions in Nebraska



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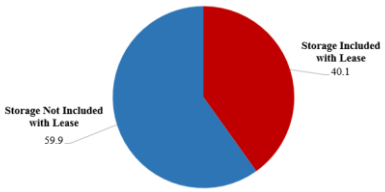
Lease Provisions for Existing Farm Grain Storage as Part of Cropland Rental Arrangements



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Agricultural Farmland Leases

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Setting Cash Rental Rates

Setting Cash Rental Rates

- Setting a cash rental rate needs to be viable given the needs of the landlord and tenant.
- Rates may be set according to:
  - Fixed amount per acre for all acres on the farm.
  - Fixed amount per cropland acre.
- Different methods may be used to calculate a rental rate, but all methods must arrive at a viable rate.

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Methods for Setting Cash Rental Rates

- Basic methods for estimating a cash rental rate:
  - UNL and USDA-NASS land rental rate survey data.
  - Average yields.
  - Cash equivalent from crop share.
  - Return on investment.

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Estimating Cash Rental Rates by Adjusting Survey Data

- Land rental rate survey data:
  - Evaluate available cash rental survey data to establish a baseline in the landlord and tenant negotiation process.
- Average yields:

County	Value	Farm	Value
County Rental Rate	$200/ac.	County Rent/Bushel	$2.00/bu.
Corn Yield	100 bu./ac.	APH Yield	x 115 bu./ac.
County Rent/Bushel	$2.00/bu.	**Farm Level Rent**	**$230/ac.**

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Cash Equivalent From Crop Share

- Rent paid to landlord by tenant based off owner's share of net returns per acre.
  - Example 50/50 split:

Value	Corn	Soybeans
Yield (1/2)	75 bu./ac.	25 bu./ac
Price/bushel	x $3.80/bu.	x $9.70/bu
Income	$285/ac.	$242.50
Owner Expenses	-$145/ac.	-$85/ac.
Net Return to Owner (Effective Rent)	**$140/ac.**	**$157.50/ac.**

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Return on Investment

- Multiply the estimated current market value by the expected rate of return to determine the rental rate per acre.

Farm	Dryland Cropland	Irrigated Cropland
Land Value	$4,000/ac.	$7,500/ac.
Rate of Return	x 3.5-4.5%	x 3.5-4.5%
Rental Rate per Acre	**$140-$180/ac.**	**$263-$338/ac.**

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Return on Investment (continued)

- Selecting an appropriate market value and rate of return are key to estimating reasonable rental rates.
- Nebraska Farm Real Estate Survey provides estimated annual net rates of return (returns after landownership expenses – i.e. land taxes).
- Summaries provided in the land report estimate net rates of return for irrigated cropland, dryland cropland, and grazing land.

Questions?

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Landlord/Tenant leasing and communications

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LEASE PROVISIONS

- Vary by the type of lease
  - Crop Share
  - Cash Leases
  - Variable Cash Leases
  - Bottom line – many variations to the lease provisions
    - Usually a neighborhood by neighborhood set of 'rules'

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CROP SHARE LEASES

- Typical (historic) provisions
- Landlord
  - Pays for % of fertilizer, insecticide, fungicide, and herbicide
  - % of Irrigation fuel or electricity
  - % of crop insurance
  - Irrigation System ownership costs
    - (depreciation, insurance, repairs, taxes, interest)
  - Land taxes and land maintenance

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CROP SHARE LEASES

- Typically - Tenant pays for
  - % of fertilizer, insecticide, fungicide, and herbicide
  - % of crop insurance
  - All seed
  - All field operations
  - Transportation of landlord's share of crop to designated location

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CROP SHARE LEASE

- Landlord and tenant share in the expense and share in the risk associated with producing the crop
- Over history a very fair way to rent
- Crop share has lost popularity
  - Landlords do not like to pay expenses and have to worry about marketing their crop

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CROP SHARE LEASE

- Items that are negotiated
  - Lime in some areas – tenant expense
  - Some shares – lower to landlord with no crop input expenses
  - Irrigation fuel 100% tenant expense in some instances
  - Tenant providing irrigation equipment – should require a adjustment of % to landlord (lower)

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CASH LEASES

- Typically
- Landlord pays for
  - Irrigation ownership costs
  - Land taxes and land maintenance

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CASH LEASES

- Typically
- Tenant pays for
  - All input costs of production
  - All crop insurance
- Tenant receives the entire crop

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CASH LEASES

- All risk is borne by tenant
  - So they do well in good years
  - Don't do well in poor years
- Works well when rents are stable from year to year
  - Not as well when there is significant fluctuations (true recently)

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CASH LEASES

Other notes:

Irrigation systems cause most trouble to determining rent

- Assumed that all irrigation ownership is by landlord
- In many cases, the tenant is bearing some of these costs
- Rent needs to be adjusted (lower) to reflect this change

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FLEXIBLE CASH LEASES

More later – last talk

Provisions are the same as cash leases

The part that changes is that the landowner and the tenant share in the risk of production

Both in good years and in bad years

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CUSTOM FARMING

Some landlords not renting at all – they take all the risk by having their ground custom farmed

Typically pay by the operation

Some are doing by a % share of crop

Encourages better timing of operation – better crop production

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LEASE TERMINATION

- Move all leases to written leases!! (please)
- For farmland, notice of termination must be given by September 1 (6 months prior to 3/1 start of new lease)
  - For handshake or oral agreements
  - Set by Supreme Court
  - Notice given by registered letter
  - For either ending lease, or changing provisions!
- Not the same for Pasture Leases

FARMLAND LEASING - SUMMARY

- Talked about common provisions
- Remember – different areas of the state have different assumptions
- Good conversation and negotiation between landlord and tenant is the key to good lease
- Handout developed/included on lease provisions – "farmland lease checklist"

COMMUNICATIONS

- **Topics**
  - What we should visit about
  - Where do we get information?
  - 'Don'ts

COMMUNICATIONS: LANDLORD/TENANT

1st Conversation is not about the rental amount

It should be about the land resource……

COMMUNICATIONS: LANDLORD/TENANT

Have common shared goals for land resource

- Conservation (terraces, waterways, CRP)
- Fertility (schedule lime applications, when to soil test)
- Other (other improvements like addition of irrigation)

COMMUNICATIONS: LANDLORD/TENANT

Landlords are concerned about the land taxes

Tenants are concerned about making ends meet

Both parties need to TRUST

- Avoid **greed** – a powerful negative emotion
- No one should feel that the other has the most "power"
- Build respect and trust by telling the truth

COMMUNICATIONS: LANDLORD/TENANT

In most failed lease relationships, lack of communication is biggest problem

- Tenants need to be willing to share information
  - Especially productivity (yields)
  - Share updates during the growing season
  - Share how production costs have changed

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COMMUNICATIONS: LANDLORD/TENANT

- Landlords need to be clear with their expectations
  - What are the expectations for
    - Weed control
    - Soil conservation
    - Road ditch mowing!

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COMMUNICATE

Don'ts!!

- Don't wait for the crisis (drought or hail as examples)
- Don't wait for the end of the lease
- Don't wait until you have lost trust of the other party

Be proactive – visit on a regular basis

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RELATIVES/RELATIONSHIPS

- Can't live with them, can't live without them!! (Ha!!)
- Be careful of 'sweetheart' deals
- Each situation will be different
- Understand differences in generational values
- What is your commitment to the future of your community? The future of Rural Nebraska?

EXTENSION

SUMMARY

- Communications is a must
- Avoid the don'ts
- Always do what is best for the land resource to protect it for the next generation!

EXTENSION

Thanks to our local and state-wide sponsors

Soybeans
Nebraska Soybean Board
Growing opportunity from the ground up.

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Alternative Farmland Leases

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Presented by:
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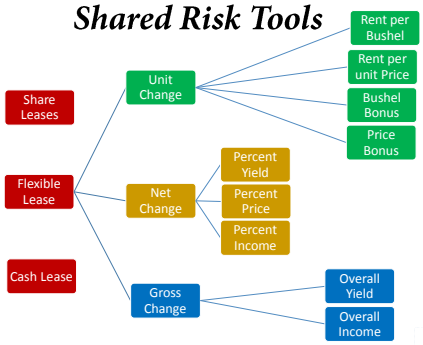
Shared Risk Tools



EXTENSION

The Principles of Alternative Leasing

A. Establish a "base rent"

B. Decide on how the rent will be adjusted

C. Establish the ceiling and floor

D. Set the payment dates

E. Get the lease in writing

F. Communicate and maintain the lease

EXTENSION

Section Two

ESTABLISH THE BASE RENT

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Principle: Establish the Base Rent

- What is the value of land?
  - What is the final rent or sales price really mean?
- How can you "get in the range"?
  - Use UNL and NASS reports
  - Have someone appraise the land
  - Communicate with others

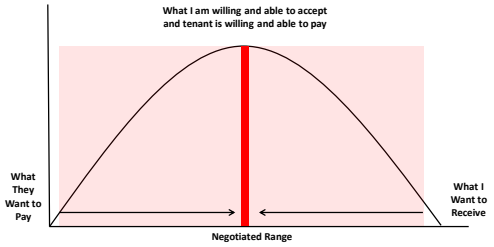
EXTENSION

Establish the Base Rent

- I had my land appraised, now what?
  - Decide on an acceptable rate of return on your investment
  - UNL *survey* data says the average return is between 3 and 5%
  - If land is worth $8,000 per acre and my expected return is 4%, then my average rent is $320 per acre
- What if I spend $20,000 on the land?
- Should I pass a bad investment to a tenant?

EXTENSION

Land Rents for What You Will Accept, and What Another Will Pay



EXTENSION

Section Three

ADJUSTING THE LEASE

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Northeast Research and Extension Center

Principle: How will the Lease be Adjusted?

- Infinite number of ways to flex a lease
- There are no "cookie cutter" methods
- You are free to use as many or as few provisions as you like
- All provisions adjust the rent based on the performance or estimated performance of the farm

EXTENSION

How will the Lease be Adjusted?

- We will largely be comparing expected farm performance against actual performance
  - If performance is better than expected, more rent is paid
  - If performance is less than expected, less rent is paid

EXTENSION

Flex on Unit Change

- The easiest way to pay for rent is by the number of units produced
- Whether you realize it or not, some portion of every bushel of grain you produce goes to pay for cash rent
- What if you just paid rent for each bushel you grew…no more, no less

EXTENSION

Rent per Bushel

Farm Base Rent	$320.00
5-yr Farm APH	210 bu.
Rent-per-bushel	$1.52
Actual production	220 bu.
Final Rent	~$334
Actual production	190
Final Rent	~$289

Farm Base Rent	$320.00
Expected Yield	215 bu.
Rent-per-bushel	$1.49
Actual production	220 bu.
Final Rent	~$327
Actual production	190
Final Rent	~$283

EXTENSION

Rent per Bushel – One Field/Two Crops

Corn	
Farm Base Rent	$320.00
5-yr Farm APH	210 bu.
Rent-per-bushel	$1.52
Actual production	220 bu.
Final Rent	~$334
Acres	75
Final Rent	$25,050

Soybeans	
Farm Base Rent	$320.00
5-yr Farm APH	46
Rent-per-bushel	$6.95
Actual production	49 bu.
Final Rent	~$341
Acres	70
Final Rent	$23,873

N EXTENSION

Paying Rent Using Price per Bushel

- What if you had a cash rent, assuming that the expected cash price for the crop was fixed
  - And if the actual price was higher, you paid more rent
  - And if the actual price was lower, you paid less rent
- For example, what if, for each $0.05 change in the local elevator cash price from an expected average of $3.50 per bushel, you paid $5 more or less rent
- …or each $0.05 change in the local elevator price from an expected average of $9.00 per bushel in soybeans, you paid $10 more or less rent

N EXTENSION

Unit Change in Price

Farm Base Rent	$320.00
Expected Yield	210 bu.
Expected Cash Price	$3.50
Final Cash Price (Oct. 15)	$3.85
7 x $0.05 increments up	+ $0.35
Change in Rent (7 x $5)	+ $35
Final Rent	$355.00

Farm Base Rent	$320.00
Expected Yield	210 bu.
Expected Cash Price	$3.50
Final Cash Price (Oct. 15)	$3.15
7 x $0.05 increments down	- $0.35
Change in Rent (7 x $5)	- $35
Final Rent	$295.00

N EXTENSION

Unit Change in Price Multi-Crop

Corn	
Farm Base Rent	$320.00
Expected Yield	210 bu.
Expected Cash Price	$3.50
Final Cash Price (Oct. 15)	$3.85
$0.05 increments up	7
Change in Rent (7 x $5)	+ $35
Rent	$355.00
Acres	75
Final Rent	$26,625

Soybeans	
Farm Base Rent	$320.00
Expected Yield	46
Expected Cash Price	$9.00
Final Cash Price (Oct. 15)	$8.70
$0.05 increments Down	3
Change in Rent (3 x $10)	- $30
Rent	$290
Acres	70
Final Rent	$20,300

EXTENSION

Bonus Rent by Bushels

- This type of provision states that any production over a designated number of bushels per acre trigger bonus rents to the landowner
- For example
  - *"The tenant will pay the landowner the base rent per acre plus $1.50 for every bushel above the most recent 5-year Olympic average"*

EXTENSION

What This Looks Like

What problems do you see with this type of agreement?

How do you choose what the trigger is?

How do you choose the incremental increase?

Farm Base Rent	$320
5-yr Farm Olympic APH	210 bu.
Final Farm Production	230
Additional bushels produced	20
Rent adjustment $1.50 x 20	$30
New Rent	$350

EXTENSION

Bonus Rents by Price

- This type of provision states that any production over a designated amount or a price above a certain threshold, triggers bonus money to the landowner
- For example
  - *"The tenant will pay the landowner the base rent per acre plus $1.00 for every $0.10 over a set cash forward price of $3.00 per bushel"*

EXTENSION

What This Looks Like

What problems do you see with this type of agreement?

How do you choose what the trigger is?

How do you choose the incremental increase?

Farm Base Rent	$320
5-yr Farm APH	210 bu.
Set Cash Forward Dec. Contract Price on Oct. 1	$3.00
Oct. 1, Cash Forward Price per Bushel	$4.50
$4.50 - $3.00 =	$1.50
Number of $0.10 increments	15
15 x $1.00	$15.00
New Rent	$335

EXTENSION

Percent Change on a Variable

- The base rent changes, based on a change in expected yield, price, income, etc.
- Must understand metrics
  - Anything you can measure
    - A beginning value
    - An ending value
    - Calculate change
  - Are these metrics?
    - Husker games won this year
    - MPG of your Toyota
    - Weight of your dog

EXTENSION

Metrics

- Crop price
- Fuel price
- Price of milk
- Price of gold
- Dow index
- Student GPA's
- Price of fertilizer
- Crop height
- Waist-size of pants after Thanksgiving
- Etc.

EXTENSION

Understand Calculating Change

- Calculates the change in a variable from one period to another:

$$\text{Percent Change in } X = \left[\frac{(New\,Value\,of\,X - Old\,Value\,of\,X)}{Old\,Value\,of\,X}\right] times\ 100$$

Our Variable is Price

	Price
Time Period One	$ 10.00
Time Period Two	$ 18.00

= [($18 - $10)/$10] * 100 = .80 or 80%

EXTENSION

Variable Rent by Bushels

- For every change in number of bushels produced – measured as a percentage
  - If production is better than average
    - Cash rent goes up
  - If production is less than average
    - Cash rent goes down

EXTENSION

Variable Rent by Yield Adjustment

Farm Base Rent	$320.00
Expected Yield(in this case, 5yr farm APH)	210 bu.
Actual Production	220 bu.
Difference (Actual – Expected)	+ 10 bu.
Percent Change $\frac{(220-210)}{210} \times 100$	+ 4.76%
New Rental Payment (Farm Base) x (1 + Percent Change/100) $320 x (1 + .0476) =	~$335
Represents a farm that realized 104.76% of expected production, thus receives 104.76% of expected rental payment	

N EXTENSION

Variable Rent by Yield Adjustment

Farm Base Rent	$320.00
Expected Yield(in this case, 5yr farm APH)	210 bu.
Actual Production	200 bu.
Difference (Actual – Expected)	- 10 bu.
Percent Change $\frac{(200-210)}{210} \times 100$	- 4.76%
New Rental Payment (Farm Base) x (1 + Percent Change/100) $320 x (1 - .0952) =	~$305
Represents a farm that realized 95.24% of expected production, thus receives 95.24% of expected rental payment	

N EXTENSION

Multiple Crops in a Field

Corn Production	
Farm Base Rent	$320.00
Expected Yield (in this case, 5yr farm APH)	210 bu.
Actual Production	220 bu.
Difference (Actual – APH)	+ 10 bu.
Percent Change $\frac{(220-210)}{210} \times 100$	+ 4.76%
New Rental Payment (Farm Base) x (1 + Percent Change/100) = $320 x (1 + .0476) =	~$335
Acres	75
Final Rent	$23,450

Soybean Production	
Farm Base Rent	$320.00
Expected Yield (in this case, 5yr farm APH)	46 bu.
Actual Production	48 bu.
Difference (Actual – APH)	+ 2 bu.
Percent Change $\frac{(48-46)}{46} \times 100$	+ 4.35%
New Rental Payment (Farm Base) x (1 + Percent Change/100) = $320 x (1 + .0435) =	~$334
Acres	70
Final Rent	$23,380

N EXTENSION

Variable Rent by Price Adjustment

- Could vary rent by a percent change in:
  - Basis change from beginning of season to end
  - Local cash new crop price from beginning to end
  - Futures Dec. price from beginning to end
  - COMBO crop insurance price from March to Dec.
  - Monthly average Nebraska cash price from beginning to end of season
  - Price of local diesel #2 from period one to period two
  - Price per barrel of oil….propane….gas….bread….

N EXTENSION

For Our Example

- We will use the COMBO insurance price change
  - Beginning price is the February average of the December corn futures contract
  - Ending price is the October average of the December corn futures contract
  - These are easy to find; require the least effort to calculate
  - You may use whatever index you want

N EXTENSION

Variable Provision by Crop Price

Example of Price Index Moving Upward

Farm Base Rent	$320
Expected Yield	210 bu.
March Crop Insurance Index	$4.15
Harvest Crop Insurance Index	$4.70
Percent Change (Harvest - Plant) x 100 ($4.70 - $4.15) / $6.00 x 100	13.3%
New Rental Payment (Farm Base) x (1 + Percent Change/100) $300 x (1 + .133) =	~$363

Example of Price Index Moving Downward

Farm Base Rent	$320
Expected Yield	210 bu.
March Crop Insurance Index	$4.15
Harvest Crop Insurance Index	$3.60
Percent Change (Harvest - Plant) x 100 ($4.50 - $5.20) / $4.00 x 100	-13.3%
New Rental Payment (Farm Base) x (1 + Percent Change/100) $300 x (1 - .155) =	~$277

N EXTENSION

Variable Provision by Crop Insurance Index

Yield effect on insurance index pricing. Caution should be taken when using this type of index!

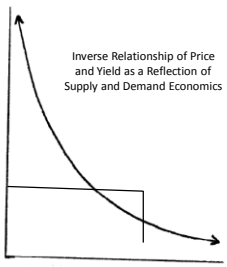
Farm Base Rent	$320	Farm Base Rent	$320
National Expected Yield	168 bu.	*National Expected* Yield	168 bu.
National Actual Yield	198 bu.	*National Actual* Yield	138 bu.
March Crop Insurance Index	$4.15	March Crop Insurance Index	$4.15
Harvest Crop Insurance Index	$4.70	Harvest Crop Insurance Index	$3.60
Percent Change (Harvest - Plant) x 100 ($4.70 - $4.15) / $4.15 x 100	13.3%	Percent Change (Harvest - Plant) x 100 ($3.60 - $4.15) / $4.15 x 100	-13.3%
New Rental Payment (Farm Base) x (1 + Percent Change/100) = $320 x (1 + .133) =	~$363	New Rental Payment (Farm Base) x (1 + Percent Change/100) = $320 x (1 - .13.3) =	~$277

Higher index result of lower yields!

Lower index result of higher yields!

EXTENSION

What Problems do we See with a Price Only Provision?



Inverse Relationship of Price and Yield as a Reflection of Supply and Demand Economics

EXTENSION

Percent Change in Income

Farm Base Rent	$320	Farm Base Rent	$320
Expected Yield	210 bu.	Expected Yield	210 bu.
Expected Farm Price	$3.50	Expected Farm Price	$3.50
Exp. Farm Income (less Govt.)	$735.00	Exp. Farm Income (less Govt.)	$735.00
Actual Yield	205 bu.	Actual Yield	225 bu.
Actual On-Farm Price	$3.98	Actual On-Farm Price	$3.20
Actual Farm Income (less Govt.)	~$815	Actual Farm Income (less Govt.)	~$720.75
Difference (%, $)	~$80 / 8.0%	Difference (%, $)	~-$14.25/ -2.4%
New Rent	$345.60	New Rent	$312.32

EXTENSION

Percent Change Multi-Crop Field

Corn Pricing	
Farm Base Rent	$320
5-yr Farm APH	210 bu.
Expected Farm Price	$3.50
Exp. Farm Income (less Govt.)	$735.00
Actual Yield	205 bu.
Actual On-Farm Price	$3.70
Actual Farm Income (less Govt.)	~$758.50
Difference (%, $)	~$23 / 3.2%
New Rent	$330.24
Acres	75
Final Rent	$25,768

Soybean Pricing	
Farm Base Rent	$320
5-yr Farm APH	46 bu.
Expected Farm Price	$9.00
Exp. Farm Income (less Govt.)	$414.00
Actual Yield	52 bu.
Actual On-Farm Price	$8.55
Actual Farm Income (less Govt.)	~$444.60
Difference (%, $)	~$31 / 7.5%
New Rent	$344.00
Acres	70
Final Rent	$24,080

N EXTENSION

Percent of Gross Revenue

- What percentage of the crop revenue goes to pay for cash rent?
- Assume I charged $320 per acre rent. The next year's estimated average-market-year price was $3.50 and the farm yielded 210 bushels per acre
- The gross farm revenue is:
  - 210 bushels * $3.50 = $735.00
  - $320 / $735 = .43 or 43% of gross revenue goes directly to cash rent

N EXTENSION

Percent of Gross Revenue

- Assume that the farm will yield an *average return* of *215* bushels per acre and the *actual on-farm average-market-year price* is $3.20
- The new gross revenue per acre is $688
- If I apply a rule of 43% of gross revenue then
  - Rent is $688 * .43 = ~$296 or down by 7.5%
- Recall the price changed by -4.11%
- Gross revenue works well in flat years, not so good in trending years (price/yield up and down)

N EXTENSION

Challenges

- How do we verify gross revenue?
- Change gross revenue to gross bushels…
- If rent is $300 per acre, and the *expected* price is $3.50, then:
  - $300 / $3.50 = ~86 bushels per acre
  - 86 / 210 = 41% of gross production

Our Farm

- Assume the farm produces 220 bushels per acre
- Our contract says we owe the landowner 41% of the gross production
  - 220 * .41 = 90 bushels per acre
  - What's the problem here??

Converting Bushels to Rent

- Remember that the gross percent of production is based on the *average on-farm market price received per bushel*
  - We get this from sources such as the USDA
- We want to attach the bushels due to a *real market price*…what do we do?
- Choices
  - Agree on some fixed price
  - Use averages of prices across the season

Price Conversions

- The price used is entirely up to you
- Prices others have used…
  - Average of the spring and harvest insurance index
  - Average cash price at the local elevator, at noon, from March 1 to Oct. 1
  - Some fixed price during the marketing period
    - For example…

EXTENSION

Some Fixed Price

- The provision
  - *"The tenant agrees to pay the landowner 30% of gross production per bushel…The value of each owed bushel will be determined as follows: the landowner will elect a price, based on the tenants local elevator Dec. cash forward price, chosen between May 1 and Oct. 1. If no price is elected, the landowner will receive the local elevator Dec. cash forward price at noon. The landowner must contact the tenant immediately upon election and tenant will verify the price at the local elevator"*

EXTENSION

Price Election Example

- Assume the farm produces 220 bushels per acre
- Our contract says we owe the landowner 42% of the gross production
- The landowner must elect a price between May 1 and Oct. 1
- On June 1st, the cash price per bushel is $3.55 per bushel, so the landowner contacts the tenant and makes the price election
- The tenant contacts the elevator, verifies the price, and puts in a cash forward contract for 86 bushels per acre

EXTENSION

Price Election Example

- On Dec. 1, the harvest monitor shows 220 bushels per acre
- 42% of 220 bushels is 90 bushels per acre
- Tenant takes the price election and figures rent
  - 220 * 42% = 90 bu. X $3.55/bu. = $320/acre rent
  - Recall, you pick the percentage and the price in this election

Section Four

CEILINGS AND FLOORS

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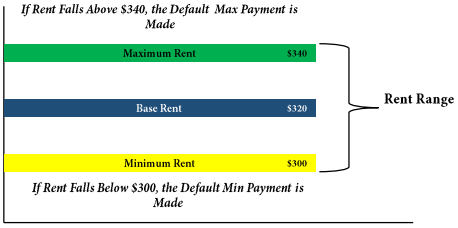
Northeast Research and Extension Center

Principle: Limiting Your Risk

- Set upper and lower limits for your contract
- Do not expose yourself to unlimited upside and downside risk
- How do you do that?

C. Establishing the Ceiling and Floor



EXTENSION

USDA Farm Bill Requirements

- USDA FSA regulations on farm program payments mandates that a cash lease include:
  - Any specific guarantee of price or division of crop within reason for the region
  - If an alternative lease guarantees a minimum payment of $300 per acre, is this requirement met?
  - What about if the guarantee is only $50 per acre?

EXTENSION

Section Five

SETTING THE PAYMENT DATE

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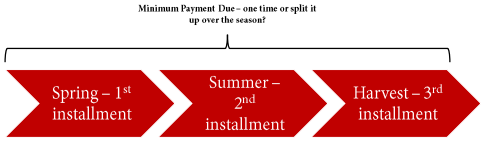
Principle: When is Payment Made?

- As the tenant and landowner, you need to decide on when payment is made
- You won't know the final yield until after harvest
- Decide on a minimum due and when



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Principle: What is the Minimum Due?

- If we put into the contract a minimum due, we can make that due first
- "*A minimum payment of $_____ is due on March 1st with a final payment due on Jan. 1st of the following year*"
  - Or whatever you choose to do

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Section Six

GET THE LEASE IN WRITING

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Section Seven

COMMUNICATE AND MAINTAIN

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Maintain the Contracts

- Written leases must have a termination date
- Use roll-over clauses to manage negotiations, but do not use them as a crutch
- When rolling, print a new lease with a new termination date
- Have the lease reviewed by a legal professional as needed
- Include those parties in negotiation that have an interest in the outcome

EXTENSION

Final Comments

- There are an infinite number of ways to adjust a cash lease, these are only a few examples…
- Start simple and small and build from there
- Evaluate different options and methods in using alternative lease provisions
- Remember the goal of the provisions
  - Manage the risk of the unknown in production
  - Receive income in the form of risk investment

EXTENSION

Questions

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2015 Iowa Farm Custom Rate Survey

Many Iowa farmers hire custom machine work done in their farm business or perform custom work for others. Others rent machinery or perform other services. The information below is based on survey responses from 166 Iowa farmers, custom operators, and farm managers. For each operation, the average rate and the range reported are shown. Twenty-five percent of the respondents perform custom work, 11 percent hire work done, and 64 percent indicated doing both.

Values below are rates expected to be charged or paid, and include tractor, implement, fuel, and labor. The average price for diesel fuel was assumed to be $2.94 per gallon. A fuel price increase of $0.50 per gallon will cause total machinery costs to increase by approximately 5 percent. This rate schedule is intended only as a guide. Actual custom rates may vary according to availability of machinery in a given area, timeliness, operator skill, field size and shape, crop conditions, and the performance characteristics of the machine being used.

Rental rates for some machinery items are shown on the following page, along with a worksheet for estimating rental rates for other items.

Note: All rates include fuel, repairs, depreciation, interest, labor, and all other machinery costs for the tractor and implement.

Tillage	Average	Range
Chopping cornstalks, / acre	$11.90	6.50 - 17.50
Moldboard plowing, / acre	18.50	13.00 - 25.00
Chisel plowing, / acre	16.90	12.00 - 22.00
Disk/chiseling, / acre	17.95	12.00 - 25.00
Vertical Tillage, / acre	16.90	10.00 - 21.00
Subsoiling (8 to 15 in. deep), / acre	20.10	13.50 - 25.00
V-ripping (over 15 in. deep), / acre	21.70	13.50 - 30.00
V-ripping with tandem disk, / acre	23.50	14.75 - 33.00
Disking, tandem, / acre	14.65	7.50 - 20.00
Disking, offset, / acre	19.00	14.00 - 24.00
Harrowing, / acre	9.35	4.00 - 13.00
Soil finishing, / acre	14.75	10.00 - 20.00
Field cultivating, / acre	14.05	8.00 - 21.00
Rock picking, / acre	14.95	9.00 - 20.00
Cultivating, conventional, / acre	14.65	8.00 - 19.00
Cultivating, ridge-till, / acre	16.85	15.00 - 20.00
Rotary hoeing, / acre	11.00	5.50 - 15.00
Land rolling, / acre	7.90	5.00 - 12.00
Planting		
Planting - w/ fert & insect. attach., / a.	$19.90	13.00 - 30.00
- without attachments, / acre	18.50	12.00 - 28.00
- w/ splitters & attach., / acre	21.30	15.00 - 27.00
- no-till planter, / acre	20.50	15.00 - 30.00
- no-till planter w/ splitters, / a.	21.55	15.00 - 30.00
- ridge till planter, / acre	23.25	17.00 - 29.00
Extra charge for seed shut-offs, / acre	2.70	0.50 - 5.00
Extra charge for variable rate seeding, / a.	3.15	1.00 - 5.00
Seed tender, / acre	3.75	2.00 - 6.00
Drilling soybeans, / acre	16.75	12.00 - 24.00
Drilling soybeans, no-till, / acre	19.20	14.00 - 28.00
Drilling grass seed, / acre	16.35	10.00 - 25.00
Drilling small grain, / acre	15.90	10.00 - 20.00
Seeding grass, broadcast with tractor, / acre	12.30	8.00 - 15.00
Seeding grass, broadcast with ATV, / acre	14.55	6.50 - 20.00
Spraying (materials not included)		
Ground, broadcast, tractor, / acre	$7.40	5.00 - 15.00
Ground, incorporated, tractor, / acre	11.15	5.70 - 18.25
Ground, broadcast, self propelled, / acre	7.70	4.50 - 16.00
Ground, banded, tractor, / acre	11.05	9.00 - 13.00
Ground, road ditches, / hour	63.80	30.00 - 85.00
Aerial, / acre	10.60	7.50 - 15.00
Fertilizer Application (materials not included)		
Dry bulk - applied, / acre	$5.40	2.00 - 9.00
- strip-till, / acre	17.20	10.00 - 20.00
Liquid - spraying, / acre	7.35	5.00 - 10.50
- strip-till, knifed, / acre	16.30	13.00 - 20.00
- side dressing, / acre	12.25	6.00 - 18.50
Anhydrous - injecting, w/ tool bar, / acre	12.80	6.75 - 20.00
- injecting, w/o tool bar, / acre	11.70	7.00 - 18.00
Spreading lime, / ton	6.25	3.00 - 10.00

Harvesting, Drying, and Hauling Grain	Average	Range
Corn combining, / acre	$35.35	25.00 - 55.00
- with chopper head, / acre	41.05	30.75 - 57.00
Soybean combining, / acre	34.75	24.00 - 53.00
- with air reel, / acre	37.05	32.00 - 42.00
- with draper head, / acre	38.35	30.00 - 49.50
Small grain combining, / acre	30.00	20.00 - 35.00
Complete harvesting (combine, grain cart, haul to farm storage)		
- Corn, / acre	50.35	30.00 - 90.00
- Soybeans, / acre	47.75	30.00 - 85.00
Added charge for GPS mapping, / acre	2.90	1.00 - 5.00
Picking ear corn, / acre (seed corn)	36.55	35.00 - 39.00
Picking ear corn, / acre (farm use)	29.50	25.00 - 35.00
Drying corn (includes fuel, electricity, labor)		
- continuous flow dryer (/ point / bu.)	0.055	0.040 - 0.060
- bin dryer (/ point / bu.)	0.063	0.050 - 0.070
Handling grain by auger, / bu.	0.061	0.010 - 0.100
Hauling grain		
- grain cart, corn / acre	6.95	2.00 - 15.00
- grain cart, soybeans / acre	6.05	3.00 - 15.00
- to farm storage, wagon, / bu.	0.077	0.030 - 0.130
- farm storage to mkt., wagon, / bu.	0.087	0.020 - 0.150
- to mkt., truck, / bu., (5 mi. 1-way)	0.108	0.050 - 0.180
- to mkt., truck, / bu., (25 mi. 1-way)	0.180	0.090 - 0.300
- to mkt., truck, / bu., (100 mi. 1-way)	0.371	0.250 - 0.500
Harvesting Forages		
Hay - mowing, / acre	$12.05	9.00 - 16.00
- conditioning, / acre	11.60	11.00 - 12.00
- mowing/conditioning, / acre	14.25	11.00 - 19.00
- raking, / acre	6.50	4.00 - 10.00
- windrowing, / acre	13.40	5.00 - 16.50
- tedding, / acre	7.65	5.00 - 8.00
Swathing hay or small grain, / acre	13.10	12.00 - 15.00
Hay baling - small square, / bale	0.72	0.50 - 1.10
- large square, / bale	10.75	8.00 - 12.00
- large round w/o wrap, / bale	11.25	8.00 - 14.00
- large round with wrap, / bale	12.85	10.00 - 16.00
Straw or corn stalk baling		
- large round or square w/o wrap, / bale	12.35	11.00 - 14.00
- large round or square w/ wrap, / bale	14.80	11.50 - 20.00
Picking up w/accumulator, / lg. sq. bale	3.15	1.75 - 4.00
Moving lg. round bales to storage, / bale	3.00	2.50 - 3.46
Moving lg. square bales to storage, / bale	3.30	2.00 - 4.25
Hauling round bales, / bale, / loaded mile	0.14	0.01 - 0.22
Hauling square bales, / bale, / loaded mile	0.09	0.01 - 0.16
Silage - chopping, / hr., / header row	64.75	11.67 - 125.00
- chopping, / ton	7.80	5.00 - 10.00
- chopping, haul, fill silo, / ton	8.70	8.00 - 9.00
Filling silage bags, / foot of bag	12.25	10.00 13.33
Haylage - chopping, / ton	9.85	7.50 - 12.50
Earlage or snaplage - chopping, / acre	54.05	50.00 - 69.50

Miscellaneous Services (labor, fuel, and equipment included)

	Average	Range
Removing snow (loader), / hour	$77.90	30.00 - 110.00
Removing snow (blade), /hr., /ft. of blade	5.65	1.00 - 10.00
Removing snow (blower), /hr., /ft. of blower	11.00	2.00 - 19.44
Grinding, mixing feed, / ton	10.80	10.00 - 11.75
Tub grinding hay, / hour	221.70	200.00 - 250.00
Tub grinding hay, / ton	11.40	10.00 - 12.50
Spreading liq. manure, inject., / 1000 gal.	13.50	10.00 - 16.00
Liquid manure w/ drag line, / 1000 gal.	12.25	10.00 - 15.00
Loading solid manure, / hour	76.05	50.00 - 110.00
Loading, spreading solid manure, / hour	122.25	100.00 - 150.00
Power washing, / hour	42.10	35.00 - 50.00
Building fence, barb, / hr. (no materials)	16.45	15.00 - 18.00
Building fence, barb, / rod (no materials)	14.25	10.00 - 18.00
Building fence, woven, / hr. (no materials)	17.50	15.00 - 20.00
Building fence, woven, / rod (no materials)	14.75	12.00 - 16.80
Scouting crops, / acre	4.90	2.50 - 7.00
Soil testing, / sample	6.45	2.00 - 10.00
GPS grid soil testing, / acre	6.80	2.50 - 10.00
Managing stored grain, / bu.	0.06	0.01 - 0.10
Vacuuming grain, / bu.	0.09	0.01 - 0.18
Shearing sheep, / head	3.80	3.50 - 3.95
Livestock hauling w/ trailer, / loaded mile	2.80	1.50 - 4.50
Livestock hauling w/straight tr., /loaded m.	3.35	3.00 - 4.00
Livestock hauling w/semi tr., /loaded mile	3.90	3.50 - 4.00
Bulldozing, / hr., / ft. of blade	12.60	9.38 - 15.00
Digging post holes, / hole	3.95	3.00 - 5.00
Driving steel fence posts, / post	2.55	2.00 - 4.00
Driving wooden fence posts, / post	3.95	3.00 - 4.50
Building terraces, grassed back, / foot	3.10	2.50 - 3.50
Building terraces, narrow base, / foot	2.55	2.00 - 3.00
Trenching, / foot	1.45	0.75 - 2.00
Tiling, tiling machine (ex. materials), / ft.	1.15	0.55 - 2.00
Tiling, tile plow (ex. materials), / foot	0.76	0.40 - 1.00
Back hoeing, / hour	91.25	50.00 - 125.00
Clearing land, / hour	135.45	85.00 - 165.00
Building ponds, / hour	147.90	140.00 - 153.05
Chain sawing, / hour	58.70	40.00 - 85.00
Welding machinery, / hour	52.80	45.00 - 75.00
Mowing CRP or pasture, / acre	18.35	10.00 - 30.00
Mowing fence rows, ditches, / hour	69.70	18.00 - 100.00
Mowing lawns, / hour	38.05	25.00 60.00
Chopping brush, / acre	28.30	20.00 - 40.00
Using truck scale, / load weighed	3.95	1.00 - 6.00

Custom Farming (tillage, planting, pest control, harvesting, and hauling to farm, no drying)

	Average	Range
Corn, / acre	$136.50	82.00 - 175.00
Soybeans, / acre	125.35	78.00 - 170.00
Small grain, / acre	93.65	82.50 - 100.00

Machine Rental (operator, tractor, and fuel not included)

	Average	Range
Tractor, / horsepower, / hour	$0.28	0.17 - 0.40
Grain drill, / acre	10.35	6.00 - 15.00
No-till soybean drill, / acre	12.70	8.00 - 18.00
Corn head for combine, / acre	10.05	8.00 - 14.00
Soybean head for combine, / acre	9.50	6.00 - 13.00
Grain cart with auger, corn, / acre	6.45	2.00 - 10.00
Grain cart with auger, soybeans, / acre	5.80	3.00 - 7.50
Grain wagon, / bu.	0.08	0.05 - 0.11
Grain truck (semi), / bu. / round trip	0.12	0.05 - 0.17
Grain auger, / bu.	0.06	0.02 - 0.08
Grain vacuum, / bu.	0.08	0.01 - 0.15
Grain cleaner, / bu.	0.08	0.05 - 0.10
Liquid manure spreader, / hour	41.35	35.00 - 45.00
Solid manure spreader, / hour	43.55	35.00 - 50.00
Skid loader, / hour	53.40	30.00 - 80.00
Dry bulk fertilizer applicator, / acre	3.75	3.00 - 4.50
Liquid fertilizer applicator, / acre	5.75	3.00 - 7.50
Anhydrous fertilizer applicator, / acre	5.70	3.00 - 10.00
Power washer, / hour	40.55	35.00 - 50.00
Generator, / hour	43.05	40.00 - 50.00
Tub grinder, / hour	209.20	200.00 - 220.00

Bin Rental	Average	Range
Bin dryer, / bu. dried, (no fuel or labor)	$0.076	0.050 - 0.100
Storing grain, bin rental / bu., / month	0.031	0.010 - 0.100
Storing grain, bin rental / bu., / year	0.176	0.100 - 0.300

Farm Labor Wages for Operating Machinery

	Average	Range
Spraying or harvesting, / hour	$16.40	10.00 - 25.00
Other operations, / hour	14.20	10.00 - 20.00

Estimating a Machinery Rental Rate for Items Not Surveyed

		Example: Tandem Disk
1. Custom charge (includes labor, fuel, tractor)	$_____/acre	$14.65
2. Percent of custom charge that is for interest, insurance, depreciation, and repairs (excluding fuel and labor) (use 60% for tillage, 65% for planting and harvesting)	x _____%	x 60%
3. Rental value, including tractor (1 x 2)	= $_____/acre	= $8.79
4. Tractor rental value, if tractor is not provided: _____HP x $_____per hp-hour rental rate (see above) / _____acres/hour = Ex: 150 HP x $.28 (per hp-hour rental rate) / 15 acres/hour = $2.80	– $_____/acre	– $2.80
5. Implement rental value, without tractor (3 minus 4)	= $_____/acre	= $5.99/acre

Issued in furtherance of Cooperative Extension work, Acts of May 8 and July 30, 1914, in cooperation with the U.S. Department of Agriculture. Cathann A. Kress, director, Cooperative Extension Service, Iowa State University of Science and Technology, Ames, Iowa.

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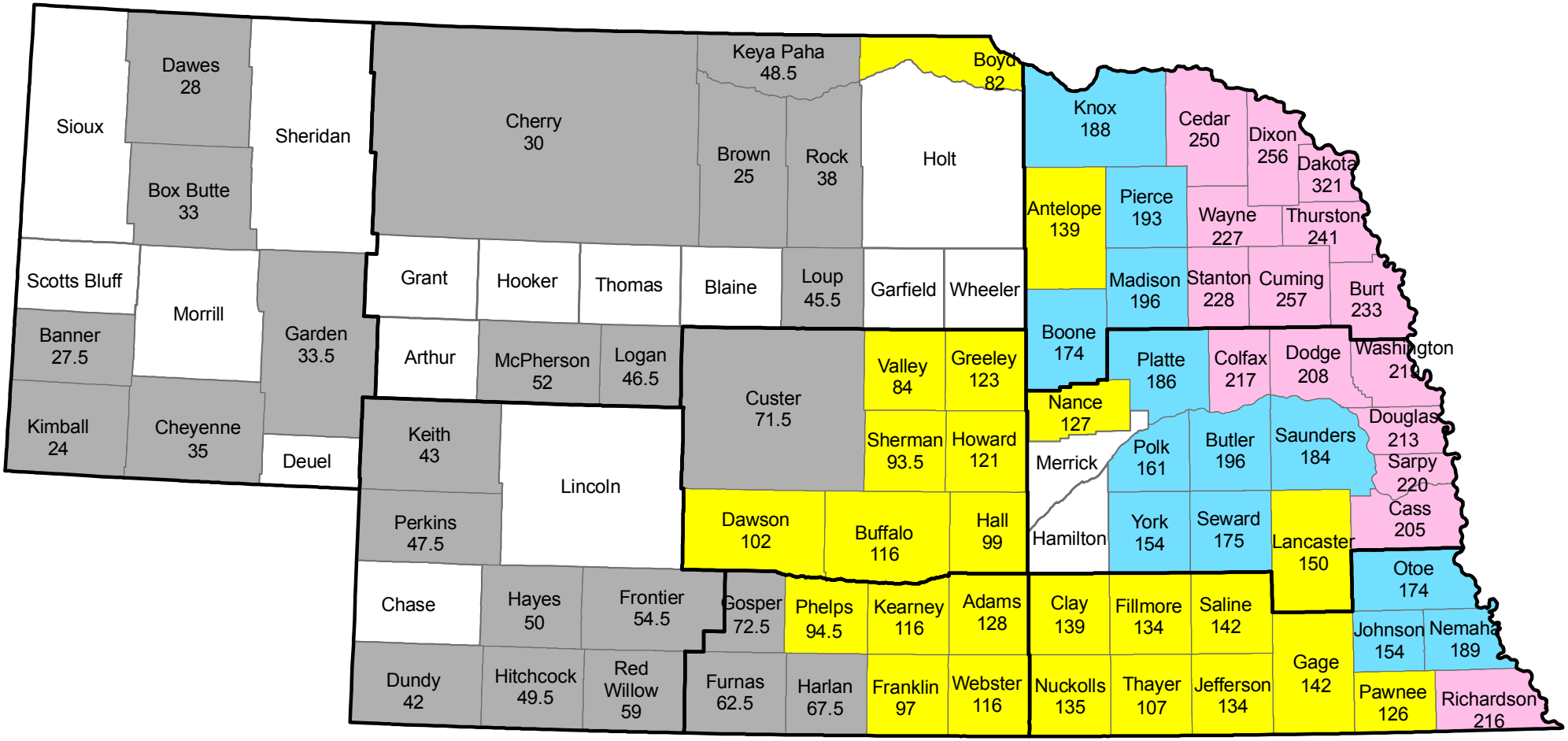
Additional machinery management publications are available at:
www.extension.iastate.edu/agdm
store.extension.iastate.edu/

2014 Nebraska Non-Irrigated Cropland Cash Rent Paid Per Acre



Dollars/Acre

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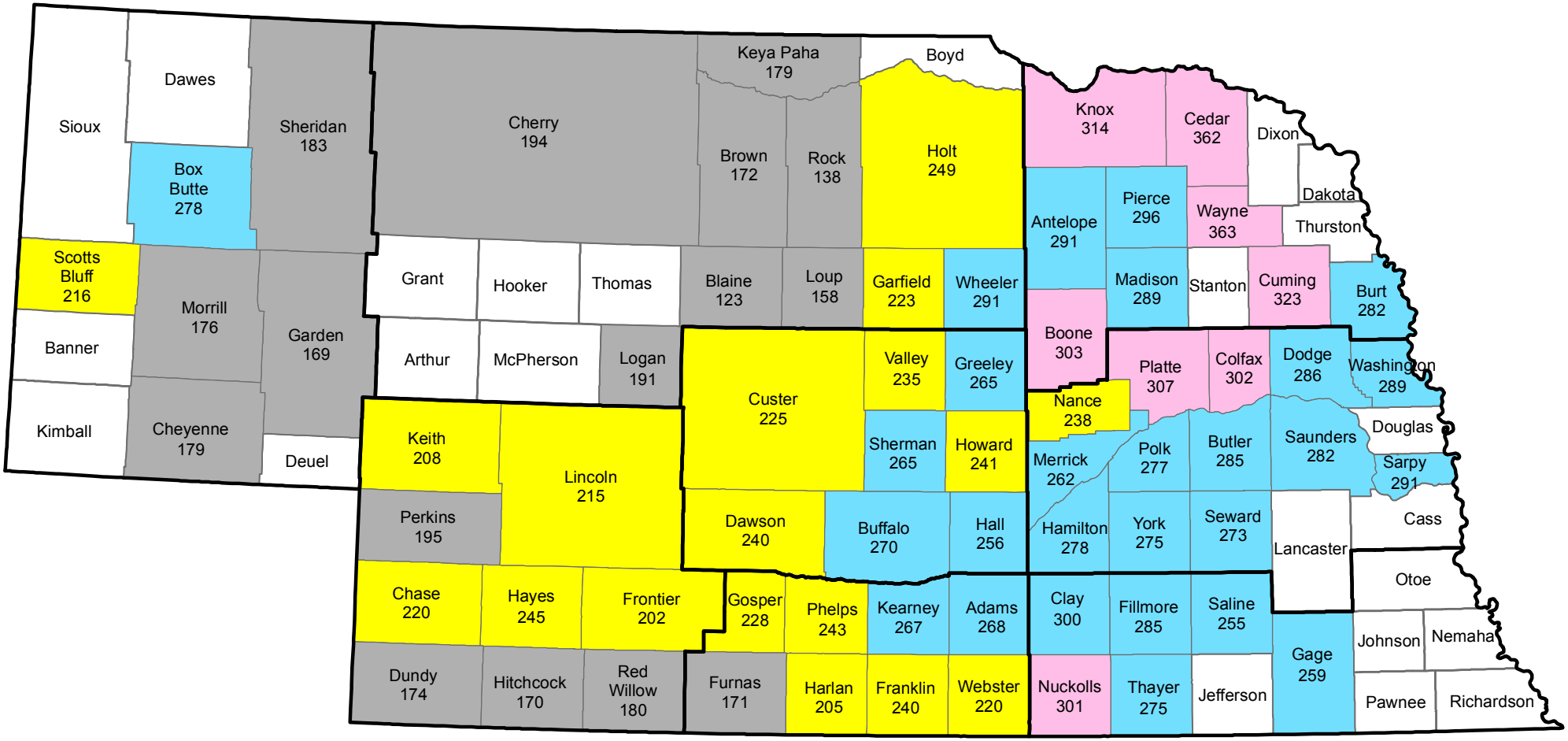
Source: USDA National Agricultural Statistics Service - September 5, 2014

2014 Nebraska Irrigated Cropland Cash Rent Paid Per Acre



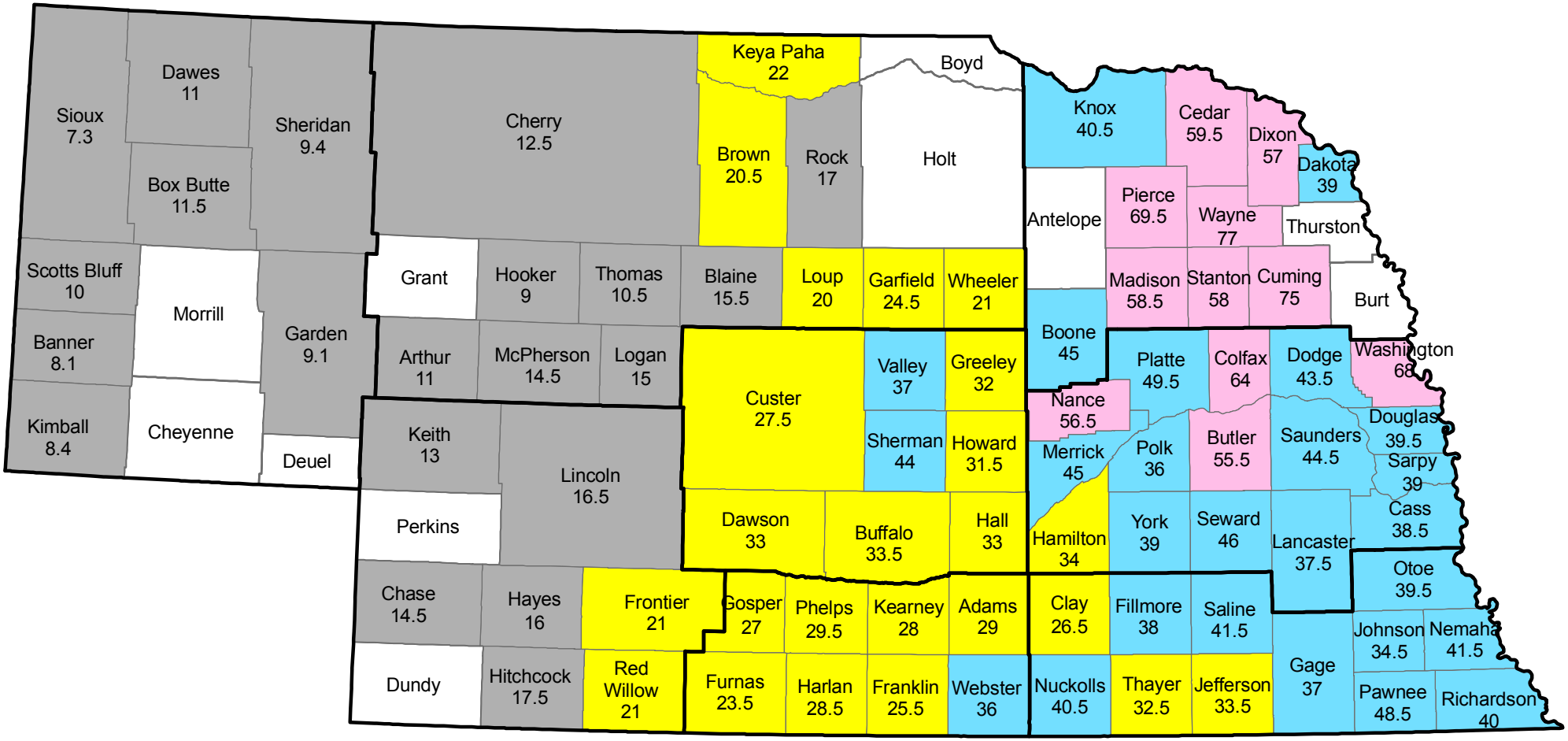
Dollars/Acre

< 200 | 251 - 300 | Unpublished

200 - 250 | > 300

Source: USDA National Agricultural Statistics Service - September 5, 2014

2014 Nebraska Pasture Cash Rent Paid Per Acre



Dollars/Acre

< 19.00	34.01 - 50.00	Unpublished	
19.00 - 34.00	> 50.00		

Source: USDA National Agricultural Statistics Service - September 5, 2014

Farmland Leasing Checklist

Adapted by: Robert Tigner, Tim Lemmons, and Allan Vyhnalek, UNL Extension Educators[1]

A written contract is still an essential business practice when leasing farm property. It forces detailed consideration, communication, and understanding by both parties. It serves as a handy reference in case details are forgotten or there is a death of the tenant or landlord.

The contract should encourage the most profitable, long-term operation of the farm and be beneficial for both parties. Are the returns proportional to the contributions both tenant and landlord make to the business? Will the lease prevent or discourage a tenant from operating the farm in the same way a well-financed owner-operator would run it? Are the best farming methods, conservation practices, and/or environmental practices utilized? What is the plan for needed improvements? Every contract or lease agreement will one day terminate; how is termination to be handled? What method(s) will be used to settle accounts?

The following checklist will assist tenants and landlords to consider components of a well-designed lease agreement. It is advisable to have an attorney for one party prepare the lease, with a review by the attorney for the other party.

Parties to Lease and Description

___ Date the lease is entered into.
___ Names and addresses of the landlord and tenant.
___ Legal description of the leased property.
___ Signatures of the landlord and tenant.

General Terms

___Time period of the lease, including beginning and ending dates.
___Rental amount for cash lease; base rent for flexible cash leases, and respective shares and contributions for a crop-share lease.
___When and how rent will be paid and penalties for late payments.
___What is the clause, if any, for automatic renewal of the lease?
___Provision for carrying liability insurance on the property
___Insuring the crop: under cash leases, tenant pays all premiums and receives all indemnities; under crop-share, each party can insure their share.
___Statement that the landlord and tenant do not intend to create a partnership by entering into the agreement. Neither party will obligate the other for debts/liabilities or damages.
___Conditions under which the tenant may or may not sub-lease the property. (Also consider hunting rights, grazing stalks)
___Specify mineral and water rights.
___If tenant is given rights to farm improvements (buildings, bins, for example) at what rental rate?
___If landlord does not own all irrigation equipment, how rent is adjusted to reflect that change?
___Provisions for landowner(s) and tenant(s) reporting of crop/land/business operations to include what these reports will include, how, where, by what means, and how often this reporting will take place.

Termination

___When and how the lease may be terminated and requirements for notice of termination?
___Reimbursement provisions for crop nutrients, lime and/or completed fieldwork upon termination of the lease.
___Acts of the tenant that would constitute default of the lease.
___Tenant's rights if the property is transferred or condemned during the lease period.
___Reimbursement provisions for a crop still in the ground when the lease is terminated.

Operation and Maintenance

___Desired or prohibited farming practices, including types of chemicals that may not be used on the property.
___Process of measuring and maintaining soil fertility and pH levels. (Include minimum required amounts of fertility and remedial actions)
___Which party is responsible for controlling noxious weeds?
___Which party is responsible for maintaining fences?
___Whether the tenant has the right to make improvements and be compensated for improvements.
___Is tenant responsible for non-crop acres (for example for mowing)? How is he compensated for that work?
___Will the tenant be required to carry insurance to cover costs of mitigating his activity – like an accidental chemical spill?
___Whether the tenant has the right to utilize improvements made by the landlord.
___Provisions for soil-conservation practices.
___Statement regarding the existing environmental status of the property and responsibility to minimize activities that may cause contamination.
___Use of non-cropland, garden plots, trees, buildings, grain bins, pasture or other areas not rented for cropland.
___ Provision identifying who is responsible for maintenance on irrigation equipment or other farm use assets identified in the lease.
___Any provisions for the compensation of the tenant(s) for conducting improvement(s) or maintenance on the property or associated use assets.

Landlord Rights and Government Payment

___Landlord's right to enter the property for specific purposes.
___Landlord's right to a security interest in the crops or other provisions for ensuring payment.
___Statement of which party will participate in federal farm programs, including responsibility for eligibility and receipt of payments.
___Nature of landlord participation in management. This may relate to issues regarding income and self-employment, taxes, social security payments, and estate planning.

Arbitration of Difference

___Provision that any amendments must be in writing and signed by both parties.
___Procedure for resolving disputes, including the applicable state statutes.

Crop-Share Provisions

___General agreement, sharing of crops and tenant's contribution of machinery and labor. Each party should share returns in the same proportion as resources are contributed.
___Sharing of operating expenses, generally variable expenses are shared in the same percentage as the crop share; if there are adjustments for no-till, custom application, liming or any new technologies adopted.
___Storage and/or delivery of landlords share of crops.
___Compensation upon termination of the lease. (example: if tenant paid for and applied lime)
___What records are to be kept by whom and how will this information be shared.

[1] Ohio State University Extension Fact Sheet, FR-0003-01, Donald J. Breece, District Specialist, Farm Management, Southwest District

For more information:
http://www.aglease101.org/DocLib/default.aspx#LeasePubs – Leasing Publications
http://www.ianrpubs.unl.edu/live/ec862/build/ec862.pdf - Flexible Leasing of Farmland
http://aglease101.org/ - for good general farmland lease information